

W-03443A-08-0313



0000078892

ORIGINAL

ARIZONA CORPORATION COMMISSION

UTILITY COMPLAINT FORM

RECEIVED

Investigator: Carmen Madrid

Phone:

Fax:

2008 JUL -1 P 4:38

Priority: Respond Within Five Days

AZ CORP COMMISSION

Opinion No. 2008 69711

DOCKET CONTROL
Date: 7/1/2008

Complaint Description: 08A Rate Case Items - Opposed
N/A Not Applicable

First:

Last:

Complaint By: Karen & Richard Bond

Account Name: Karen & Richard Bond

Home: (000) 000-0000

Street:

Work: (000) 000-0000

City: Chino Valley

CBR:

State: AZ Zip: 86323

is: E-Mail

Utility Company: Appaloosa Water Company

Division: Water

Contact Name: n/a

Arizona Corporation Commission

Contact Phone: n/a DOCKETED

Nature of Complaint:

JUL -1 2008

From:

Sent: Tuesday, July 01, 2008 7:10 AM

To: Utilities Div - Mailbox

Subject: Appaloosa Meadows Water

DOCKETED BY

MM

To whom it may concern. My husband Richard and I object to doubling the cost of water from Appaloosa Water Company. When you have a business, you don't gouge your customers and that is exactly what is happening. The arsenic in the water is above recommended levels and this has been known for some time. Why haven't the water co. done something about it. It is also transferring water from our tank to about a mile away for the use of thier personal house and a resturant they own which puts more stress on the system. Everyone is owed a refund for overcharge but we only get a small amount now for two years. Why are allowed to stretch it out for who knows how long. We still haven't gotten the full refund after 2 years.

Concerned homeowner in Appaloosa Meadows
Richard and Karen Bond

End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

July 1, 2008 (sent the following e-mail response to consumer & filed in Docket No. W-03443A-08-0313)

Mr. and Mrs. Richard Bond

ARIZONA CORPORATION COMMISSION

UTILITY COMPLAINT FORM

Chino Valley, AZ 86323

RE: APPALOOSA WATER COMPANY
DOCKET NO. W-03443A-08-0313

Dear Mr. and Mrs. Bond,

Your e-mail regarding the Appaloosa Water Company ("Appaloosa") rate case will be placed on file with the Docket Control Center of the Arizona Corporation Commission ("Commission") to be made part of the record. The Commission will consider your comments before a decision is rendered in the Appaloosa application.

The concerns raised in letters received from customers will assist the Commission in the investigation and review of the rate application. The Commission's independent analysis of the utility and its rate request attempts to balance the interest of the utility and its customers.

Commission Staff is very sensitive to the burden that high utility rates can place on the consumer, and though constitutionally required to allow a fair return to the utility, does everything within its authority to protect the consumer.

Staff appreciates your comments and the interest taken on the proposed rate increase. If you should have any questions relating to this issue, please call me toll free at (800) 222-7000.

Sincerely,

Carmen Madrid
Public Utility Consumer Analyst
Utilities Division
End of Comments

Date Completed: 7/1/2008

Opinion No. 2008 - 69711

W-03443A-08-0313

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Investigator: Carmen Madrid

Phone: ()

Fax: ()

Priority: Respond Within Five Days

Opinion **No.** 2008 69713

Date: 7/1/2008

Complaint Description: 08A Rate Case Items - Opposed
 08D Rate Case Items - Hearing/PC Meeting

First:

Last:

Complaint By: **A. Thomas & Barbara Hinderleider**

Account Name: A. Thomas & Barbara Hinderleider

Home: (000) 000-0000

Street:

Work: (000) 000-0000

City: Chino Valley

CBR:

State: AZ Zip:

is: E-Mail

Utility Company: **Appaloosa Water Company**

Division: Water

Contact Name: n/a

Contact Phone: n/a

Nature of Complaint:

From: E
Sent: Monday, June 30, 2008 8:13 PM
To: Utilities Div - Mailbox
Cc: Mayes-WebEmail
Subject: APPALOOSA WATER RATE HIKE

TO: ARIZONA CORPORATION COMMISSION
 Utilities Division
 1200 West Washington Street
 Phoenix, AZ 85007

It has come to my attention the Appaloosa Water Company is requesting a revenue increase of 100% of total revenues.

This seems extremely high. I do not mind paying for utilities when it bears an increase within reason. I would appreciate the Commission holding a meeting in Chino Valley with the owner of the water company, the Commission and the homeowners of Appaloosa Meadows to further understand the water hike along with written accounting of expenses.

I believe the owner of this water company is not being above board with the reasons for the increase. I would be in hopes the Commission would look into the company books for accuracy of expenses. The well is too new to have had maintenance costs let alone expenses to warrant 100% increase. I can hardly believe the arsenic water treatment can be so expensive when the owner's costs (as I have been informed) are over a period of years, not all at the same time.

I appreciate your consideration of this matter.

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Sincerely,

A. Thomas Hinderleider
Barbara Hinderleider

End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

July 1, 2008 (sent the following e-mail response to consumer & filed in Docket No. W-03443A-08-0313)

A. Thomas Hinderleider
Barbara Hinderleider

RE: APPALOOSA WATER COMPANY
DOCKET NO. W-03443A-08-0313

Dear Mr. and Mrs. Hinderleider,

Your e-mail regarding the Appaloosa Water Company ("Appaloosa") rate case will be placed on file with the Docket Control Center of the Arizona Corporation Commission ("Commission") to be made part of the record. The Commission will consider your comments before a decision is rendered in the Appaloosa application.

The concerns raised in letters received from customers will assist the Commission in the investigation and review of the rate application. The Commission's independent analysis of the utility and its rate request attempts to balance the interest of the utility and its customers.

Commission Staff is very sensitive to the burden that high utility rates can place on the consumer, and though constitutionally required to allow a fair return to the utility, does everything within its authority to protect the consumer.

Staff appreciates your comments and the interest taken on the proposed rate increase. If you should have any questions relating to this issue, please call me toll free at (800) 222-7000.

Sincerely,

Carmen Madrid
Public Utility Consumer Analyst
Utilities Division
End of Comments

Date Completed: 7/1/2008

W-03443A-08-0313

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Investigator: Carmen Madrid

Phone: [REDACTED]

Fax: [REDACTED]

Priority: Respond Within Five Days

Opinion **No.** 2008 69714

Date: 7/1/2008

Complaint Description: 08A Rate Case Items - Opposed
N/A Not Applicable

Complaint By: **First:** Harvey & Kay **Last:** Jones

Account Name: Harvey & Kay Jones

Home: [REDACTED]

Street: [REDACTED]

Work: (000) 000-0000

City: Chino Valley

CBR: [REDACTED]

State: AZ **Zip:** 86323

is: E-Mail

Utility Company: Appaloosa Water Company

Division: Water

Contact Name: n/a

Contact Phone: n/a

Nature of Complaint:

*****REFERRED FROM COMMISSIONER MAYES' OFFICE*****

From: Chino Valley Historical Society [mailto:[REDACTED]]
Sent: Monday, June 30, 2008 12:05 PM
To: Utilities Div - Mailbox
Cc: Mayes-WebEmail
Subject: RE: Appaloosa Water Rate Hike

June 29, 2008

Arizona Corporation Commission
Utilities Division
1200 West Washington Street
Phoenix, AZ 85007

RE: Appaloosa Water Rate Hike

In the June 18, 2008 edition of the Chino Valley Review, we read about the owner of Appaloosa Water Company (the Applicant) submitting an application requesting a rate adjustment increase of 100 percent. This is the first that we, or any of the other homeowners, were aware of this. It stated we had 15 days to respond. The Chino Review is published once per week on Wednesday giving us a maximum of 2 publications within the 15-day time limit. It also stated the application was available for inspection online or at the Water Company. Neither was true! The application wasn't online until the following Tuesday, July 24th - leaving 8 days to read, digest and respond.

We were aware that there would be some increase in rates due to the Applicant having to install the arsenic remediation equipment; which he was aware of when he purchased the water company in 2006. We understand

ARIZONA CORPORATION COMMISSION

UTILITY COMPLAINT FORM

the water company was designed and constructed to supply water service for Appaloosa I, II, and III only, which encompasses approximately 340 parcels of which approximately 235 are hooked up. The Applicant states in his application that this is also to service future growth to the 160+ acres, across the road to the north, which he owns.

Without approval from ADEQ, the Applicant extended the main water line from the Appaloosa subdivisions, north, under the road to his 160+ acres where he operates a commercial nursery/farm, a large lake, and a large convention-type building with a restaurant. We understand he did not construct the extension in accordance with the Town permit. He has received a cease-and-desist order to close the valve isolating the new water extension. We understand the valve is back on in direct violation of the order. Since we don't know if all the safety rules and regulations were followed, we are concerned that more than arsenic could contaminate our drinking water

Please understand that the Applicant is a developer and his attitude is that "it's his water company and he can do however, whenever and whatever he wants with it". This may be true, however he should not expect the water users to pay the bill for the water usage on his property plus any of the future development he is planning. What will be his percentage of the rate increase? How will it be monitored?

Unfortunately we don't have a choice of water companies. This owner does not keep his customers informed about much of anything in a timely manner, evidence the public notice put in the newspaper. Why not put a notice in the water bill he sends us every month? He finally sent out a notice stating the arsenic remediation should be completed by the end of 2008! At this writing the equipment has not been installed.

I hope our concerns are taken into consideration in the Applicants rate increase application. We feel a 100% increase is totally unacceptable. Thank you for your time.

Sincerely,

Harvey & Kay Jones


cc: Commissioner Kris Mayes
End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

July 1, 2008 (sent the following e-mail response to consumer & filed in Docket No. W-03443A-08-0313)

Harvey & Kay Jones


RE: APPALOOSA WATER COMPANY
DOCKET NO. W-03443A-08-0313

Dear Mr. and Mrs. Jones,

Your e-mail regarding the Appaloosa Water Company ("Appaloosa") rate case will be placed on file with the Docket Control Center of the Arizona Corporation Commission ("Commission") to be made part of the record.

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

The Commission will consider your comments before a decision is rendered in the Appaloosa application.

The concerns raised in letters received from customers will assist the Commission in the investigation and review of the rate application. The Commission's independent analysis of the utility and its rate request attempts to balance the interest of the utility and its customers.

Commission Staff is very sensitive to the burden that high utility rates can place on the consumer, and though constitutionally required to allow a fair return to the utility, does everything within its authority to protect the consumer.

Staff appreciates your comments and the interest taken on the proposed rate increase. If you should have any questions relating to this issue, please call me toll free at (800) 222-7000.

Sincerely,

Carmen Madrid
Public Utility Consumer Analyst
Utilities Division
End of Comments

Date Completed: 7/1/2008

Opinion No. 2008 - 69714

W: 03443A-08-0313

ARIZONA CORPORATION COMMISSION

UTILITY COMPLAINT FORM

Investigator: Trish Meeter

Phone: [REDACTED]

Fax: [REDACTED]

Priority: Respond Within Five Days

Opinion No. 2008 69717

Date: 7/1/2008

Complaint Description: 08A Rate Case Items - Opposed
N/A Not Applicable

First:

Last:

Complaint By: **J. Alan**

Melle

Account Name: J. Alan Melle

Home: (000) 000-0000

Street: [REDACTED]

Work:

City: [REDACTED]

CBR:

State: AZ Zip [REDACTED]

is:

Utility Company: **Appaloosa Water Company**

Division: Water

Contact Name: [REDACTED]

Contact Phone: [REDACTED]

Nature of Complaint:

***** DOCKET NO. W-03443A-08-0313 *****

6/30

J. Alan Melle

[REDACTED]
[REDACTED]
June 26, 2008

Arizona Corporation Commission
Utilities Division
1200 West Washington Street
Phoenix, Arizona 85007

RE: Appaloosa Water Company Request for Rate Increase
Docket number W-03443A-08-03 13

Dear Commission Members,

I am adamantly opposed to the 100% rate increase requested by the Appaloosa Water Company in a recent Application for Rate Adjustment. I am already paying well over twice what I would have to pay for water if it was delivered to me by the city of Chino Valley. If the requested rate increase is granted my water costs will be four to five times the rate of water from the city. This is absolutely unacceptable!

I have several issues with the rate increase request and the way it has been handled by Appaloosa Water. First of all Mr. Cordovana didn't even have the guts to notify his customers of the rate increase request in any recent or current billing statement as other utilities do. A legal notice was published in the weekly Chino Valley Review, which many people don't read because it primarily rehashes news that appears in the local daily newspaper over the prior week. I can only guess that Mr. Cordovana expects that this method of notification will meet any legal requirement and limit the number of customers who will become aware the rate increase request in time to protest it to the commission prior to a hearing.

ARIZONA CORPORATION COMMISSION

UTILITY COMPLAINT FORM

The request for a rate increase states that the water company lost money last year. A review of the financial information provided in the Docket .PDF file that I was finally able to download shows some obvious reasons why. Operating expense item 601, Salaries and Wages, shows a year to year increase of \$33,197, of which \$32,941 is the salary Mr. Cordovana decided to pay himself. This ensured a loss for the year. In addition Operating Expense item 641, Rents, shows \$8,000 paid in 2007 vs. \$0 paid in 2006. I would be very interested in knowing to whom the rent is being paid and for what.

In addition, review of supporting invoices for repair and maintenance expenses shows that at least seven invoices were actually billed to Windmill Farms Nursery, also owned by Mr. Cordovana, and not to Appaloosa Water. There are hand notations on the invoices that the charges were Appaloosa Water Company charges. They may or may not be but there is no way to tell for sure. This gives the appearance of co-mingling expenses between the two companies and possibly inflating the water company's expenses. Even if everything about these bills is above board and correct this is an extremely poor business practice that does not allow for confidence in the water companies financial records.

Mr. Cordovana states that a significant reason for the Rate Increase Request is the cost of an arsenic removal system. I certainly do not question the need for this, especially as a customer drinking water that is not in compliance with the federal standards for arsenic. However it appears that Mr. Cordovana would like to recover almost all of the \$190,000 estimated cost of the arsenic removal system with the \$162,489 revenue increase requested for the first year. This is patently ridiculous! The cost of an arsenic removal system would certainly be capitalized and depreciated over twenty to thirty years rather than expensed in one or two years.

This company has been poorly run ever since Mr. Cordovana bought it. In addition he previously angered much of his customer base with a poorly conceived plan to put under the counter reverse osmosis filter systems in our homes to treat the arsenic problem. He has again angered his customer base with this extravagant rate increase request. I request that the Arizona Corporation deny this request quickly.

I would further request that the commission give extremely serious consideration to taking over control of the Appaloosa Water Company and beginning negotiations to turn over the operation and it's assets to the city of Chino Valley.

Sincerely,

J. Alan Melle

End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

July 1, 2008

RE: APPALOOSA WATER CO.

Dear Mr. Melle:

Your letter regarding the Appaloosa Water Company ("AWC") rate case will be placed on file with the Docket Control Center of the Arizona Corporation Commission ("Commission") to be made part of the record. The Commission will consider your comments before a decision is rendered in the AWC application.

The concerns raised in letters received from customers will assist the Commission in the investigation and review of the rate application. The Commission's independent analysis of the utility and its rate request attempts to balance the interest of the utility and its customers.

Commission Staff is very sensitive to the burden that high utility rates can place on the consumer, and though constitutionally required to allow a fair return to the utility, does everything within its authority to protect the consumer.

ARIZONA CORPORATION COMMISSION

UTILITY COMPLAINT FORM

Staff appreciates your comments and the interest taken on the proposed rate increase. If you should have any questions relating to this issue, please call me toll free at (800) 222-7000.

Sincerely,

Trish Meeter
Public Utilities Consumer Analyst
Utilities Division
End of Comments

Date Completed: 7/1/2008

Opinion No. 2008 - 69717

W-03443A-08-0313

ARIZONA CORPORATION COMMISSION

UTILITY COMPLAINT FORM

Investigator: Deb Reagan

Phone: [REDACTED]

Fax: [REDACTED]

Priority: Respond Within Five Days

Opinion **No.** 2008 **69720**

Date: 7/1/2008

Complaint Description: 08A Rate Case Items - Opposed
N/A Not Applicable

First:

Last:

Complaint By: **Hugh and Judy**

Simpson

Account Name: Hugh and Judy Simpson

Home: [REDACTED]

Street: [REDACTED]

Work:

City: Chino Valley

CBR:

State: AZ **Zip:** 86323

is:

Utility Company: **Appaloosa Water Company**

Division: Water

Contact Name: Joe Cordovana

Contact Phone: [REDACTED]

Nature of Complaint:

***** W-03443A-08-0313 *****

Customer sent the following e-mail -

Subject: Appaloosa Water Company

Thanks to a friend that lives in the Appaloosa Meadows Subdivision we have been made aware of a rumor that the Appaloosa Water Company has requested approval for a 100% rate increase on water delivered to the homes in Appaloosa Meadows, Chino Valley, AZ.

We own and rent out a house in Appaloosa Meadows. The water cost is already high by Arizona standards. That retrofitting the plant with an arsenic removal system might require a modest rate increase ... but it shouldn't cost twice what it already was to provide water to the 150± homes in Appaloosa Meadows. Doubling the rate would be downright punitive for many of those water users.

We live on acreage north of Appaloosa Meadows and the Windmill Farms. Windmill Farms, Appaloosa Water Company and the JC Ranch, and Josal Enterprises are all owned by Joe Cordovana. Josal Ent. owns 170 ± acres between Road 4 North and Road 4½ North, immediately north of the Appaloosa Meadows Subdivision.

This Spring we noticed work being done in a section of Road 4 North between Appaloosa Meadows and Joe Cordovana's property. It was strange that this work was being done late at night and on Sundays. Our tenant reported that on one Sunday their water suddenly dropped to a trickle. Another neighbor called the Water Company and a non-English speaking person took the complaint. Apparently the worker was part of a crew working on the water line. Soon the water was turned back on. No notice by the Appaloosa Water Company was ever given to the homeowners that work was being performed. Neither was there ever an explanation of the water turn off problem. We personally saw them working on (installing new pipe) that Sunday. The new line (6-8 inch water pipe) goes from the north end of Harrison Road (in Appaloosa Meadows) ... across Road 4 North ... directly onto the Josal Enterprises property.

ARIZONA CORPORATION COMMISSION

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Mr. Cordovana. of Josal Enterprises, has presented the Town of Chino Valley with several proposals to develop a massive senior residential development on his 170 acres north of the Appaloosa meadows. The last proposal that we saw included 4 multi-storied residential buildings, commercial buildings, apartments and 260 single family residences.

The Appaloosa Water Company is currently advertising on the internet to the provide water hookup to the public. www.jcranchaz.com

We are fairly new to Arizona and not well versed in water laws, corporate laws or local ordinances so it is hard for us to know how to react when we see things like what I have just described to you happening. It doesn't seem right that a water company that was formed to provide water to a residential subdivision of about 150 single family homes on 1 acre plus lots, is now selling that water to outside customers. Are there no limits?

We are sending this information to you not knowing whether it is helpful or even appropriate to mention these things. If you have any questions that you think we might be able to answer, we can be reached by email as above, by telephone [REDACTED] by mail at P.O. Box [REDACTED] Chino Valley, AZ 86323.

Thank you for your kind attention.

Hugh and Judy Simpson
End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

Sent the following e-mail response -

Mrs. Simpson -

The concerns raised in e-mails, letters and phone calls received from customers will assist the Commission in the investigation and review of the Company's rate application. The Commission's independent analysis of the utility and its rate request attempts to balance the interest of the utility and its customers.

Commission Staff is very sensitive to the burden that high utility rates can place on the consumer, and though constitutionally required to allow a fair return to the utility, does everything within its authority to protect the consumer.

Staff appreciates your comments and the interest taken on the proposed rate increase. If you should have any questions relating to this issue, please call me at [REDACTED]

Deb Reagan
Public Utilities Consumer Analyst
Utilities Division
AZ Corporation Commission
End of Comments

Date Completed: 7/1/2008

Opinion No. 2008 - 69720

W-03443A-08-0313

ARIZONA CORPORATION COMMISSION

UTILITY COMPLAINT FORM

Investigator: Deb Reagan

Phone: [REDACTED]

Fax: [REDACTED]

Priority: Respond Within Five Days

Opinion **No.** 2008 69716

Date: 7/1/2008

Complaint Description: 08A Rate Case Items - Opposed
 N/A Not Applicable

First:

Last:

Complaint By: **Jeff and Germaine** **Costner**

Account Name: Jeff and Germaine Costner

Home: [REDACTED]

Street: [REDACTED]

Work:

City: Chino Valley

CBR:

State: AZ **Zip:** 86323

is:

Utility Company: **Appaloosa Water Company**

Division: Water

Contact Name: Joe Cordovana

Contact Phone: [REDACTED]

Nature of Complaint:

***** W-03443A-08-0313 *****

**** REFERRED FROM COMMISSIONER MAYES' OFFICE ****

Customer sent the following e-mail -

To: Kris Mayes, AZ Corporate Commission Representative

We recently learned of the intent of Appaloosa Water Company, with approval from the AZ Corporate Commission, to increase water rates to Appaloosa Meadows 1, in Chino Valley, of 100%. This is not right, nor is it acceptable to us as customers.

We moved here in August 2002. Since that time we have watched APS pass on numerous cost increases to its customers. It seems that APS did not plan for any future maintenance costs. The Commission capped the increase percentages passed on to its customers each time an increase was proposed. For that we are grateful.

We are on a fixed income and don't know just how much of an increase our budget can withstand with the current price of gas influencing all our other monthly bills. But for Appaloosa Water Company to ask for a 100% increase is just outrageous.

Previously Appaloosa Water Company's representative met with subdivision residents regarding proposals to deal with the recent arsenic problem. (Arsenic has become a water problem with the new water testing standards. The current owner bought the water company prior to the change in standards.) The choices were limited at best and charges to the customers were not discussed. It also seems that the Town of Chino Valley has an intent to purchase all the water companies in Chino Valley in the future. Without some type of intercession from the Commission, I see in our future a 100% increase in my water bill followed by another

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

increase once the Town of Chino Valley acquires the water company.

We are looking to the Commission to come up with a more realistic solution. Utility companies must be held accountable and not jump to rate increases every time the wind blows.

Thank you for your time and attention in this matter.

Jeff & Germaine Costner

[REDACTED]
Chino Valley, AZ 86323

Appaloosa Meadows 1

End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

Sent the following e-mail response -

Mr. and Mrs. Costner -

Thank you for your recent e-mail to the AZ Corporation Commission. It has been assigned to me for a response. I am a Consumer Analyst in the Utilities Division.

Your e-mail regarding the Appaloosa Water Company ("Company") rate case will be placed on file with the Docket Control Center of the Arizona Corporation Commission ("Commission") to be made part of the record. The Commission will consider your comments before a decision is rendered in the Company's application.

The concerns raised in e-mails, letters and phone calls received from customers will assist the Commission in the investigation and review of the Company's rate application. The Commission's independent analysis of the utility and its rate request attempts to balance the interest of the utility and its customers.

Commission Staff is very sensitive to the burden that high utility rates can place on the consumer, and though constitutionally required to allow a fair return to the utility, does everything within its authority to protect the consumer.

Staff appreciates your comments and the interest taken on the proposed rate increase. If you should have any questions relating to this issue, please call me at [REDACTED]

Deb Reagan
Public Utilities Consumer Analyst
Utilities Division
AZ Corporation Commission
End of Comments

Date Completed: 7/1/2008

Opinion No. 2008 - 69716

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Investigator: Carmen Madrid

Phone: ([REDACTED])

Fax: [REDACTED]

Priority: Respond Within Five Days

Opinion **No.** 2008 69719

Date: 7/1/2008

Complaint Description: 08A Rate Case Items - Opposed
N/A Not Applicable

First:

Last:

Complaint By: **Andre & Cathy**

Racine

Account Name: Andre & Cathy Racine

Home: (000) 000-0000

Street: n/a

Work: [REDACTED]

City: n/a

CBR: [REDACTED]

State: AZ Zip: 00000

is: E-Mail

Utility Company: **Appaloosa Water Company**

Division: Water

Contact Name: n/a

Contact Phone: n/a

Nature of Complaint:

*****REFERRED FROM COMMISSIONER MAYES' OFFICE*****

From: Racine Business Services, LLC [mailto:[REDACTED]]
Sent: Monday, June 30, 2008 8:52 AM
To: Mayes-WebEmail
Subject: Appaloosa Water Company Rate Increase

Dear Kris Mayes,

This is in response to the proposed water rate increase by Appaloosa Water Company.

Mr. Cordova owns land and businesses that are being supplied water by this water company. His proposed increase seems excessive to say the least.

He requests the need to change computer equipment and accounting software to manage the water company due to the addition of the arsenic treatment equipment. He could continue with his existing software and make modifications to accommodate any regulatory changes without any "upgrades". It appears he is just trying to support his increase with extraneous items.

Mr. Cordova presently has a receivable due to the water company of \$140,890 which would definitely pay for about 70% of the treatment facility if he would just pay-off that receivable due as per the balance sheet submitted.

What are the terms of the financing for the treatment plant? This could have a sizable impact on the increases. If the repayment term is long then the increase does not need to be as severe as his repayment terms are more

ARIZONA CORPORATION COMMISSION

UTILITY COMPLAINT FORM

favorable.

It appears as the administrative staff is costing Appaloosa approx. \$900.00 per month with taxes. Why is an increase in staffing necessary? The customers served and proposed does not constitute a large increase in staffing. We are adding equipment that will be need and should come with a maintenance/service agreement which should cover costs of upkeep. No additional administrative tasks should result except tracking the loan payable for the equipment. Once the items are set-up in the accounting software, the monthly hourly labor investment is minimal at best.

There is a line item "officer's salary" which indicates a monthly amount of \$2,307.50. I imagine this is going to Mr. Cordova. This is a small salary but considering his other business ventures and the time he invests in the day-to-day operations of the water company, this should be more than adequate. Is he proposing a salary increase as well? Who is the beneficiary of the "management services" fees? Who is the beneficiary of the rent payment? Is Mr. Cordova receiving these two items as income as well?

We are not opposed to a rate increase but a 100% increase is excessive. Mr. Cordova knew about the status and need of an arsenic treatment facility when he purchased the water company. He should have requested a small increase at time of purchase and he would have been in a better position.

Mr. Cordova has also proposed large development projects for his property that would require additional water needs. Is he trying to asking the current customers to fund this future growth?

Mr. Cordova had a recent project for his land shelved by the City Council due to direct opposition of Chino Valley residents. The bulk of the attendees of the meeting which forced the postponement of this project were Appaloosa Meadows residents. Is this just a huge coincidence that a huge rate increase is proposed soon after this event? You decide...

André & Cathy Racine

Appaloosa Meadows I

Racine Business Services, LLC

Office [REDACTED]

Fax [REDACTED]

Cell [REDACTED]

Please update my e-mail address

E-mail [REDACTED]

End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

July 1, 2008 (e-mailed the following letter to consumers and filed opinion in Docket No. W-03443A-08-0313)

Andre & Cathy Racine

RE: APPALOOSA WATER COMPANY
DOCKET NO. W-03443A-08-0313

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Dear Mr. and Mrs. Racine,

Your e-mail regarding the Appaloosa Water Company ("Appaloosa") rate case will be placed on file with the Docket Control Center of the Arizona Corporation Commission ("Commission") to be made part of the record. The Commission will consider your comments before a decision is rendered in the Appaloosa application.

The concerns raised in letters received from customers will assist the Commission in the investigation and review of the rate application. The Commission's independent analysis of the utility and its rate request attempts to balance the interest of the utility and its customers.

Commission Staff is very sensitive to the burden that high utility rates can place on the consumer, and though constitutionally required to allow a fair return to the utility, does everything within its authority to protect the consumer.

Staff appreciates your comments and the interest taken on the proposed rate increase. If you should have any questions relating to this issue, please call me toll free at (800) 222-7000.

Sincerely,

Carmen Madrid
Public Utility Consumer Analyst
Utilities Division
End of Comments

Date Completed: 7/1/2008

Opinion No. 2008 - 69719
